EXHIBIT M

MP4011003874

Mr. Robert J. Crimmins
Executive Vice-President

Re Preliminary 1990 Dividend Recommendations
United States Ordinary and Industrial Business

Attached is Mike Levine's recommendation for the 1990 Dividend Scales.

On Ordinary Business, recent earnings patterns indicate that equity among policyholders can be improved by modifying certain experience factors in the dividend calculation. However, the aggregate distributable amount would remain at $1.20 billion, the amount that would have been paid if the 1989 Dividend Scales were continued.

The recommended realignment of the experience factors would mainly involve increases in interest credits and increases in expense charges. We can credit back interest to the policyholders because the performance of the underlying assets continues to improve. In particular, we have been realizing significant capital gains on deferred income assets.

Expenses have risen due to the recent investment in the field force. Moreover, certain Personal Insurance and Corporate overhead expenses have remained at levels higher than anticipated when expense charges were last established. Although we remain confident of our ability to manage Career Agency growth and control expenses, a modest increase in charges is appropriate and equitable at this time.

The balance of the recommendations involve mortality table revisions and various technical refinements.

On Industrial Business, no change in scale is recommended at this time.

Stephen E. White
Vice-President and Actuary

cc: John H. Tweedie, Senior V-P & Chief Actuary

July 13, 1989

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Mr. Stephen E. White
Vice-President and Actuary

Re Preliminary 1990 Dividend Recommendations
United States Ordinary and Industrial Business

ORDINARY

If the 1990 Dividend Scales were to remain unchanged from those in place for 1989, the total distributable annual dividends would be about $1.20 billion. Although we are recommending that the aggregate distributable amount remain at this level, emerging earnings patterns indicate that equity among policyholders can be improved by modifying some of the experience factors in the dividend calculation.

The recommended realignment of the experience factors would mainly involve increases in interest credits and increases in expense charges. We also intend to refine our pricing with respect to mortality and to implement various technical adjustments that will facilitate the long-term management of this business.

Under any particular dividend scale, there is a structural tendency for the dividends on an individual policy to increase from one policy year to the next. Thus, even in cases where the expense impact outweighs the interest impact, most policyholders will not perceive actual reductions.

Interest Credits. We are able to credit more interest to the policyholders as the performance of the underlying assets continues to improve. We have been able to realize capital gains on real estate, and we are beginning to see dividends from our investments in subsidiaries. An increase in interest credited rates will particularly benefit older blocks that have built up high cash values.

Our basic recommendation, therefore, is to increase interest credits by about $50 million, or about 25 basis points in the average distributable rate.

At the same time, we will continue to reduce the difference in credited rates between pre-1982 and post-1981 issues, and we will continue to phase out "interest on free surplus". These actions will offset the $50 million increase by no more than $10 million.

Expense Charges. We have determined that a modest $30 million increase in inforce expense charges (from about $251 to $281 million) is an appropriate step, consistent with our expense management needs. The recent investment in the field force has caused expenses to increase. Although new business is priced to recover the sales related expenses, part of the cost of the field force is attributable to the servicing and maintenance of inforce.

In addition, certain Personal Insurance and Corporate overhead expenses have remained at levels higher than anticipated when dividend expense charges were last established. Rather than holding down credited interest rates, we consider it appropriate and equitable to recover these expenses through explicit charges.

Mortality Charges. Overall, the observed mortality experience on the participating business continues to be slightly worse than was expected under the 1985 Dividend Mortality Tables. Present indications are that AIDS accounts for at least some of this deterioration.

With the 1990 Dividend Scales, we have therefore decided to establish a new set of Dividend Mortality Tables. The impact will be a price increase in the area of $5 million.

Under the old tables, we had adhered to a constraint setting female mortality rates equal to those of males three years younger. We will now eliminate this constraint, generally widening the gap between female and male rates.

Technical Refinements. The dividend calculation formulas for business issued prior to 1960 will be modified so that they are more consistent mathematically, with the formulas now in use on most other major blocks of business. This will facilitate our administrative processes, as well as financial management. (Analogous refinements will also be implemented for several other small categories of business.)

We expect these formula changes to reduce dividends by about $5 million, primarily by increasing tax charges to policies with high terminal dividends.

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Quantitative Summary. At this point, the estimated pricing changes are as follows (in $ millions):

	NO SCALE CHANGE	PROPOSED CHANGE	IMPACT
PREMIUM	1173	1173	0
- EXPENSE CHARGES	251	281	- 30
+ INTEREST CREDITS	1578	1614	+ 43
- MORTALITY CHARGES	266	271	- 5
- TAX CHARGES	36	41	- 5
- PLANNED PROFITS	10	10	0
+ INTEREST ON FREE SURP	10	7	3
+ MISCELLANEOUS	13	13	0
- FUND INCREASE	1010	1010	0
= DIVIDEND	1201	1201	0

Earnings Impact. Under the recommended scale, there will be a relative shift in dividends from the January block to the May block. This will cause 1989 Statutory earnings to increase by $3 million, and GAAP earnings to increase by $1.5 million.

INDUSTRIAL

No change to Industrial scales is recommended at this time. The expense and investment income patterns are stable, and the earnings and surplus positions are satisfactory.

In addition, we are nearing completion on some significant systems efforts, that will substantially improve our understanding of the Industrial business, and our ability to implement dividend scale changes. We would therefore recommend deferring major activity in the Industrial area until next year, when we can take advantage of these new mechanisms.

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Michael Levine
Actuary

July 13, 1989

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